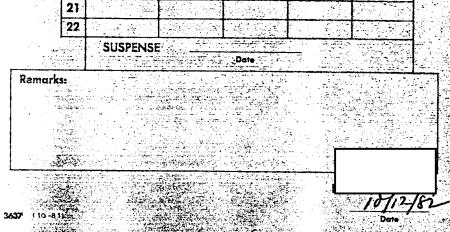
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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

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MEMORANDUM FOR HEADS OF DEPARTMENTS AND AGENCIES

FROM:

JOSEPH R. WRIGHT, JR.

DEPUTY DIRECTOR

SUBJECT: New Requirements on Audit Followup

A new effort to restructure the management and administrative systems of the Federal government, called "Reform '88," is being coordinated by the White House with oversight by the newly-established Cabinet Council on Management and Administration. The program will be implemented in the departments and agencies through the President's Task Force on Management Reform. One of the essential elements of the program is to ensure that managers implement the recommendations of their auditors, who are dedicated to reducing waste, fraud and abuse.

The Office of Management and Budget has, over the past year, developed new guidelines concerning followup on audit reports issued by Inspectors General, the General Accounting Office, and other audit organizations. As part of Reform '88," OMB is officially transmitting these revised guidelines to agencies.

As a department/agency head, we will rely upon you and your management team to make these management improvements in your agency by assuring prompt and proper resolution and implementation of all audit recommendations. I ask that you advise all your management officials of the importance of being responsive to audit recommendations, which should result in faster and more efficient agency collection of debts and incorrect charges, reduced fraud and abuse, and improved efficiencies. This will enable agency heads and OMB to assure that resolution occurs within the required six months, and the necessary corrective actions within a reasonable period thereafter. The attached circular (A-50) contains details on the new requirements and outlines responsibilities.

OMB staff have been working with many of the departments and agencies for over a year to prepare for implementation of A-50, so I anticipate a smooth phase-in. Among the eleven standards for system design



is an evaluation of your system's effectiveness, to be completed within a year from now. This evaluation will be reviewed by OMB.

The eleven standards which your system must meet are, in summary:

- * A top-level official in charge of the program.
- Audit report recommendations resolved within six months.
- Specific written plans for corrective action with specified action dates.
- Accurate records of the status throughout the resolution and correction process.
- A mechanism to resolve major disagreements between the audit organization and department/ agency management or contracting officials to enable resolution in six months.
- Assurance that resolution is consistent with law, regulation, and Administration policy.
- Coordination of resolution and corrective action between other affected programs, departments or agencies.
- Semi-annual reports to the department/agency head on all unresolved audit reports over six months old, with reasons, and a timetable for resolution.
- Periodic analysis of audit recommendations and resolution to determine trends and spot system-wide problems.
- Performance appraisals that reflect effectiveness in handling audit recommendations.
- Evaluation of the audit followup system within one-year and periodically after that.

The circular also includes special instructions for responding to GAO audit reports, including the comment process, statements to OMB or Congressional committees, and other special requirements.

As you can see -- this is a major departure from past efforts and procedures. Your cooperation in assuring the expeditious and smooth operation of audit followup procedures will be an important contribution to the Administration's overall effort to improve the government's management machinery to better serve the American people at less cost.